

# **RTO West Stage 2 Development Process**

## **Planning and Expansion RTO Backstop Authority (Transmission Adequacy and to Relieve Chronic Congestion)**

### **Annotated Compromise Proposal November 28, 2001<sup>1</sup> (Assumes RTO West Achieves Goal of Becoming an Independent and Highly Capable Entity)**

1. Grant the RTO ultimate planning and expansion authority *[will need to address in filing letter and in TOA; while this proposal does not contemplate changes in the TOA with respect to the RTO's ability to "cause" expansion versus ordering a PTO to construct, will need to evaluate current draft of TOA to see if it accommodates proposal; legal issue of whether a Section 211 remedy exists in an "accept all schedules" model];*
2. Design a proactive, inclusive, least cost public planning and expansion process based upon market-driven expansion principles *[the majority of work has been completed - further work is needed on detailing the open season subscription process and providing sufficient incentives for expansion];*
3. Detail the backstop process for transmission adequacy *[the majority of work has been completed];*
4. Recognize that the RTO has the authority to take whatever cost-effective actions it feels are appropriate if it demonstrates specific instance(s) of market failure that precluded the cost effective elimination of chronic, significant commercial congestion; no backstop process will be prescribed for resolving these types of failures<sup>2</sup> *[Need clarification on FERC's role – legal issue of whether FERC can pre-approve a project (whether it can determine a project is "used and useful" before the project is in service or whether rate-recovery authority can/will be delegated to RTO)];*

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<sup>1</sup>There is strong support for this proposal among the members of the PLCG. There are still differing views on one paragraph, however, which are noted in footnote 3. There is also a need for legal input, as referenced above.

Assuming this proposal is adopted, after final decisions have been made about the congestion management and pricing approaches, it will need to be reviewed to determine whether revisions are necessary to conform it with those final decisions.

<sup>2</sup> Assumes at some point FERC will need to approve cost recovery for new facilities, does not require pre-approval.

5. Develop more detail on cost allocation principles [*will test current allocation proposal for PLCG consensus at 12/4 meeting*];
6. With respect to other than transmission adequacy expansion, if a sponsor comes forward with a project and assumes complete financial responsibility, (i) if the RTO determines that the project does not negatively impact the reliability or transfer capability of the RTO West Transmission System, (ii) if the project sponsor<sup>3</sup> has provided other interested parties the opportunity to make it a larger project and participate, and (iii) if the project sponsor meets all other interconnection/integration requirements, the RTO will allow the project to be interconnected to the RTO West system;<sup>4</sup>
7. Acknowledge that the RTO has the authority to modify the planning process as it finds appropriate; and
8. Provide that all PTOs will be subject equally to the authority of the RTO as it is developed, clarified, or exercised by the RTO.

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<sup>3</sup> This previously read “RTO” rather than “project sponsor”. It was modified based upon the suggestion that as this paragraph relates to a project that is being proffered (and likely planned) by a project sponsor, that the project sponsor should be responsible for the process/discussion regarding possible expansion of the project and participation. If the project sponsor fails to do this, the RTO has the authority to deny interconnection.

<sup>4</sup> Some members of the PLCG do not support this paragraph and are considering whether to propose an alternative to the RRG (for example, they believe the RTO should be able to veto a project that does not fully optimize a limited corridor).